14 January 1966

Attention: Contracting Officer

Subject: Addendum No. 2 to [redacted] Request for Contract Amendment on Projects 552 and 552A STAT

Reference: 1) 552-CD-128, dated 23 July 1965
2) 552-CD-128/A, dated 17 August 1965

Gentlemen,

As a result of a meeting held with the Contracting Officer at your facility on 4 January 1966, [redacted] is herein providing the additional data which you requested to further substantiate the requests for added task funds and contract amendments on subject programs as requested in referenced letters. STAT

Below is given the requested information with respect to the four (4) added task areas previously submitted. Attached hereto are cost analyses of the funds expended and expected to be expended on these projects. The cost analyses submitted show actual costs through 31 December 1965 and projected costs through to program completion. As can be seen by observing the submitted analyses, better than 90% of the costs have already been expended. Two cost analyses are submitted. The first is a month-by-month analysis by labor categories of efforts expended or projected. Also included is a standard cost analysis for the total effort. It should be noted that some of the costs are slightly different from those mentioned in Reference (2) since at that time projections were made from 1 June 1965 through to project completion.

In summary, a request for additional funds are in the following amounts by contract and by added task breakdown.

STAT [redacted]

I - Vacuum Film Holddown

Proposal 552 dated March 1963 on Page 16 refers to the use of a groove system manufactured by the [redacted] It was understood by all parties concerned that this groove system was a cross hatched arrangement of grooves for creating a vacuum under the film as used on [redacted] AR-26A Viewers.

The same statements identically appear in the 552A Proposal dated July 1963 on Pages 11 and 12.

Shortly after contract award at a major meeting held with the customer on 19 November 1963, the existing design was discussed. Personnel attending the meeting were RN, FF, and DS. There was also a Navy representative present, Mr. [redacted] This meeting was broadly reported in the Progress Report of November 1963, [redacted] Our notes of the meeting are quoted verbatim. "Vacuum Film Hold-Down was shown and discussed. The customer objected to possible rubbing of film on channels (grooves), possible tearing or nicking of film edges, and stated his requirement that the microgrooves be invisible." The customer also wanted both edges of film to be visible for data - would be only necessary during transport.

Almost every Progress Report submitted and internal notes of customer meetings throughout the period into early 1965, give reference to the Vacuum Hold-Down Problem.

For example:

1) OD-174, February 1964, Progress Report, makes reference to the special efforts taken.
2) OD-183, March 1964, Progress Report, again discusses several different design approaches which were being tried because of the customer's dissatisfaction with the approach described in the proposal (contract item). Also, reference is made with respect to the 10-second hold-down time which is stated in the design objectives but not stated by [redacted] in its proposal.

[redacted]

3) The April 1964 Progress Report, OD-189, again refers to this problem and the approaches taken in refining the groove depths and hold-down time.

4) OD-205, July 1964 Report - again describes our difficulties in achieving microgrooves that are invisible. The report also describes other platen approaches which were being tried.

5) OD-215, September 1964 Report - again describes our problems achieving invisibility with a 10-second hold-down time. The meeting notes attached to that report of the meeting held on 9 October 1964 describes the same basic problem and mentions the new 3-transverse groove platen approach. This was finally refined in the finished product.

6) The OD-228, November 1964 Report - again discusses the 3-groove system and the fact that the customer was still not happy with that system because of the long time to achieve flatness.

Project meetings were held throughout the period mentioned in the above reports. Almost all meetings mentioned the problems with the vacuum hold-down. Of particular importance was the 1 May 1964 meeting attended by RN, PL, and AM. During that meeting the groove depth and polishing methods including the hold-down time was discussed. At this particular meeting, [redacted] pointed out to the parties present that extra efforts (beyond contract scope) were being expended by [redacted] to meet customer's desires including the following areas:

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1) Vacuum Hold-down
2) Eyepiece Support
3) Joy-stick and the configuration of the control panel.
4) High intensity light source (refer to III)
5) Low power magnification (refer to III)
6) Eyepiece separation

II - Objective Head Drives

Proposal 552, dated March 1963, discusses the Objective Head Drives (Scanning Drives) on pages 2, 17, and 18, in accordance with description contained in our 23 July 1965 letter. Within Proposal 552A, a very detailed description is contained on pages 21 and 22, as well as descriptions, similar to the 552 Proposal, on pages 2 and 13. It was quite clear in both proposals that STAT [redacted] proposed a two-speed gear box of the parameters described; this description was made part of the contract.

Not so can't find reference.

The first hint of the customer's objections to the two-speed gear box was alluded to in the August 1964 Progress Report, OD-209, dated 15 September 1964, concerning the resolution possible with the existing frequency of movement. This was the result of a meeting held on 17 August 1964 attended by RN and PL.

The customer further noticed that the scanning drive had a frequency of movement of approximately 2 1/2 cycles; he objected strongly to this at a meeting held on 23 November 1964, attended by PL and [redacted] As a result of STAT that meeting, an internal [redacted] document was prepared on 24 November, STAT File No. CD-114. This document pointed out that going to a three-speed gear box was beyond the scope of the contract. Not so analysis indicates no such statement or even inference.

As a result of a meeting held in Washington between Messrs. PL and WK on 8 December 1964, [redacted] proceeded with the three-speed gear box. This STAT point was reported officially in the November 1964 Progress Report dated 22 December 1964, No. OD-228, in which the previously mentioned document, File No. CD-114, was submitted to the customer officially.

The remaining progress reports submitted by [redacted] describes STAT their efforts to add a third gear box in order to meet the customer's objections. This was repored in CD-120, dated 28 December 1964, based on a customer meeting of 28 December 1964, attended by RN and PL. Document CD-120 was made a part of the 19 January 1965 Progress Report, OD-232.

The January 1965 Progress Report, dated 15 February, OD-236; February 1965 Progress Report, dated 15 March, OD-239; and the March 1965 Progress Report, dated 20 April, OD-244, describe the efforts of [redacted] STAT to meet the customer's requirements.

III - Low Magnification Lens with Large Field of View

The additional low-power lens was not in the basic 552 Proposal, but was in the letter addendum quoted in our 23 July 1965 letter, Reference 1). In the 552A Proposal, dated July 1963, the fourth objective lens (low magnification) is mentioned on page 6, only in that a fourth lens is used with the objective turret, in the same way as in the letter addendum to the Proposal 552 previously mentioned.

The problem of low-light level into the low-power lens and the problem of changing the high intensity light source to accommodate this was first discussed STAT at a meeting at [redacted] on 18 February 1964, attended by Messrs. RN, A. STAT [redacted] of the U.S. Navy, and [redacted] It was again discussed at a customer meeting of 3 April 1964, attended by PL and [redacted] and documented in OD-184 STAT submitted to the customer at that meeting. The selection of a field lens above the film plane was discussed along with the problems of locating a new light source below the film plane (thereby reducing the film center). This was further documented in the Progress Report, March 1964, dated 29 April 1964, OD-183. Progress Report, April 1964, dated 18 May 1964, OD-189, again discussed this problem. Other solutions to the problem of the distortion of the imagery was contained in a telephone conversation on 14 April 1964 between Messrs. RN, PL, and our [redacted] STAT

In the meeting held at [redacted] on 1 May 1964 attended by RN and STAT PL, it was pointed out to the customer that the high intensity light source and field lens solution to the low magnification problem were above and beyond the terms of the contract. (See Added Task I, Vacuum Holddown).

At a meeting with customer on 17 August 1964, attended by RN and PL the final solution to the low-power field lens problem was shown to the customer. STAT Prior to that, reports of [redacted] efforts in this respect were contained in the May Progress Report, OD-195, dated 12 June, and OD-205, July Report, dated 20 August

Meetings and progress reports throughout the period discussed the problem and the field lens solution. All agreed the field lens added distortion, but no better solution was available without changing the high intensity light source with an increase in the film center requirement.

IV - Film Loop

Proposal 552 dated March 1963 on Pages 23 and 24 discusses the mechanisms for forming the film loop. Reference is made, on Page 23, to a loop of fourteen (14') feet, center of right to center of left format. In the clarifications to the proposal prepared at the request of the customer, two (2) alternate approaches were presented to the original proposed film loop dimensions.

ALTERNATE A, on Page 3 of the Clarifications, refers to being able to achieve a 20' loop by increasing the cabinet width by some 12 inches.

ALTERNATE B refers to a film loop approach allowing a loop of 24'. This approach required a major change in the equipment configuration.

552A Proposal, dated July 1963, Page 28, again refers to a 14' loop in the same manner as in the 552 Proposal.

At the meeting held with customer on November 19, 1963, attended by PL, RN and FF, and reported in the Progress Report, November 1963, OD-133, the film loop was discussed. The Progress Report states as an item of discussion the film loop: "film loop takeup to have length of 19 feet as measured from center of format areas. Consideration will be made to speed up film loop threading velocity."

The meeting notes discuss the film loop problem to achieve a length approaching 19' without changing the casting or equipment configuration as an item requested by the customer.

[redacted]

552 - CD - 128/B

It should be pointed out that with only 70% progress payments and the amount of funds requested above, this contractor has expended a considerable amount of his own funds to maintain these programs and to deliver equipment. As you are fully aware, two (2) 552A equipments have been delivered and it is our impression that they are satisfactory to your personnel and exceed all expectations.

Expeditious processing of our added task requests would be greatly appreciated. If we can provide any further information to the above, please do not hesitate to contact us.

Very truly yours,

[redacted]

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Atts: 1) 2 copies of Cost Estimate Sheets - 8 pp.
2) 2 copies of Labor Analysis - 8 pp.

Next 17 Page(s) In Document Exempt

Approved For Release 2005/06/08 : CIA-RDP78B04747A002900040022-3

1. What actual total allowable cost did the auditor come up with on both contracts

2. what percent of this total figure is Change in scope?

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3. What is [redacted] claim as to total out of the pocket costs. [redacted] STAT